

Message Text

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USMISSION EC BRUSSELS

USMISSION OECD PARIS

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY THE HAGUE

C O N F I D E N T I A L BONN 16198

E.O. 11652: GDS

TAGS: EGEN, ETRD, GW, SP, PO

SUBJECT: NOTES ON FRG ECONOMIC TIES WITH SPAIN AND
PORTUGAL

REF: (A) BONN 14126; (B) BONN 14986

1. IN RECENT DISCUSSION WITH EMBOFFS, MATTHES (FORMIN
OFFICIAL RESPONSIBLE FOR BILATERAL ECONOMIC RELATIONS
WITH IBERIAN PENINSULA) REVIEWED STATE OF PLAY.

2. PORTUGAL.

MATTHES SAID BILATERAL TIES ARE IN HOLDING PATTERN.
NEW GOP HAS ASKED, AND FRG HAS AGREED, TO DEFER FURTHER
DISCUSSION OF DRAFT INVESTMENT PROTECTION TREATY UNTIL
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NEXT SPRING. BY THAT TIME, GOP HOPES TO HAVE CLEARED

AWAY MORE IMMEDIATE PROBLEMS AND READ IN ON DETAILS OF FRG NEGOTIATION. THOUGH DECREE NO. 660 NEVER USED AGAINST GERMAN FIRMS IN PORTUGAL, MATTHES SAID THAT SOME ARTICLES IN PORTUGUESE CONSTITUTION STILL CREATE CONSIDERABLE CLIMATE OF UNCERTAINTY FOR GERMAN INVESTORS. FRG CONSIDERS RECENT GOP MOVE TO REVISE "INVESTMENT CODE" A HOPEFUL SIGN. REVISION WILL NOT DIMINISH FRG INTEREST IN INVESTMENT PROTECTION TREATY, BUT IS STEP IN DIRECTION OF BETTER INVESTMENT CLIMATE.

3. MATTHES REFERRED TO HANDFUL OF UNRESOLVED EXPROPRIATION CASES INVOLVING GERMAN PROPERTY. FRG HOPES THAT NEW GOP EVENTUALLY WILL PAY COMPENSATION BUT IS NOT TYING THIS QUESTION TO MORE BASIC GOAL OF INVESTMENT PROTECTION TREATY. FRG-GOP GOVERNMENTAL COMMISSION HAS PROVED ITS VALUE AS FORUM FOR FRANK REVIEW OF SUCH PROBLEMS. AMBASSADOR JAENICKE WILL HEAD GERMAN TEAM AT NOVEMBER MEETING OF COMMISSION IN BONN.

4. SPAIN.

BILATERAL ECONOMIC RELATIONS WITH SPAIN NOT BURDENED WITH IMMEDIATE PROBLEMS. GOVERNMENTAL COMMISSION MEETS ONCE A YEAR; NEXT SESSION SET FOR SPRING 1977. MATTHES CONFIRMED THAT OFFICIAL-LEVEL TALKS RE GOS VIEWS ON PROPOSED DRAFT EC PROTOCOL TOOK PLACE IN BONN TWO WEEKS AGO (REF A). THEY HAD NOT ALTERED FRG POSITION THAT NEGOTIATION MUST OCCUR IN BRUSSELS, RATHER THAN EC-9 CAPITALS.
HILLENBRAND

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